

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2019-3-E

September 3, 2019

IN RE: Annual Review of Base Rates for Fuel)	
Costs of Duke Energy Carolinas, LLC,)	STIPULATION
Increasing Residential and Non-)	
<u>Residential Rates</u>	

This Stipulation is made by and among the South Carolina Office of Regulatory Staff (“ORS”), the South Carolina Energy Users Committee (“SCEUC”), and Duke Energy Carolinas, LLC (“DEC” or the “Company”) (collectively referred to as the “Stipulating Parties” or sometimes individually as a “Stipulating Party”).

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina (the “Commission”) pursuant to the procedure established in S.C. Code Ann. § 58-27-865, and the Stipulating Parties are parties of record in the above-captioned docket;

WHEREAS, the Stipulating Parties have varying legal positions regarding the issues in this case;

WHEREAS, the Stipulating Parties have engaged in discussions to determine whether a stipulation to the following issues would be in their best interests;

WHEREAS, following these discussions the Stipulating Parties have each determined that their interests and the public interest would be best served by stipulating the below issues in the above-captioned case under the terms and conditions set forth below:

A. STIPULATION OF TESTIMONY AND WAIVER OF CROSS-EXAMINATION

A.1 The Stipulating Parties agree to stipulate into the record before the Commission the pre-filed direct testimony and exhibits of ORS witnesses Anthony D. Briseno, Sarah E. Wilhite, Ryder C. Thompson, and Michael L. Seaman-Huynh, without objection or cross-examination. The Stipulating Parties also agree to stipulate into the record before the Commission, without objection or cross-examination, the direct testimony and exhibits of DEC witnesses Kimberly D. McGee, Steve Immel, Steven Capps (including Confidential Exhibit No. 3), Jason D. Martin, Brett Phipps, and Kenneth Church. The Stipulating Parties further agree to stipulate into the record the pre-filed supplemental direct testimony and exhibits of Kimberly D. McGee without objection, change, amendment or cross-examination with the exception of changes comparable to that which would be presented via an errata sheet or through a witness noting a correction. The Stipulating Parties also agree to stipulate into the record before the Commission, without objection or cross-examination, the rebuttal testimony and exhibits of DEC witnesses Kimberly D. McGee and Brett Phipps.

A.2 The Stipulating Parties reserve the right to engage in re-direct of witnesses as may be necessary to respond to issues raised by the examination of their witnesses by non-signatories to this Stipulation.

A.3 The Stipulating Parties agree that no other evidence will be offered in the proceeding by the Stipulating Parties other than the stipulated testimony and exhibits and this Stipulation with the exception of changes comparable to that which would be presented via an errata sheet or through a witness noting a correction or clarification or by a witness adopting the testimony of another if permitted by the Commission or to answer a question posed by a non-signatory to this Stipulation.

B. STIPULATION TERMS

B.1 The Stipulating Parties agree to the proposal set out immediately below, and this proposal is hereby adopted, accepted, and acknowledged as the stipulation of the Stipulating Parties.

B.2 Without prejudice to the position of any Stipulating Party in future proceedings, the Stipulating Parties agree to accept all recommendations and adjustments in the testimony and exhibits of ORS witnesses.

Avoided and Incremental Costs, Net Energy Metering and Distributed Energy Resources

B.3 The Stipulating Parties agree for purposes of this stipulation and without prejudice to the position of any Stipulating Party in any future proceeding that the 2019 component values for the Net Energy Metering (“NEM”) Distributed Energy Resources, as shown in Table 5 in the testimony of DEC witness Martin and listed below comply with the NEM methodology approved by the Commission in Order No. 2015-194 and satisfy the requirements of S.C. Code Ann. § 58-40-10, *et seq.*

Components of NEM Distributed Energy Resource Value	Component value (\$/kWh) Residential PV ¹	Component value (\$/kWh) SGS PV ¹	Component value (\$/kWh) Large PV ¹
Avoided Energy Cost	\$0.036692	\$0.036689	\$0.036675

¹ “Residential PV” refers to a load shape reflecting generation installed by a residential customer. “SGS PV” refers to a load shape reflecting generation installed by a small commercial/industrial customer served under Small General Service Schedule SGS. “Large PV” refers to a load shape reflecting generation installed by a customer with higher consumption requirements and applies to all other nonresidential schedules. For the first time, the Company has separated the values for residential customers (“Residential PV”) and small commercial/industrial customers (“SGS PV”) as a result of available actual metered solar load profile data for the residential class. The Company continues to utilize third-party solar load profile data for non-residential customers.

Avoided Capacity Cost	\$0.014078	\$0.014071	\$0.013978
Ancillary Services	\$0.000000	\$0.000000	\$0.000000
T&D Capacity	\$0.000000	\$0.000000	\$0.000000
Avoided Criteria Pollutants ²	\$0.000034	\$0.000034	\$0.000033
Avoided CO2 Emissions Cost	\$0.000000	\$0.000000	\$0.000000
Fuel Hedge ³	\$0.000000	\$0.000000	\$0.000000
Utility Integration & Interconnection Cost	\$0.000000	\$0.000000	\$0.000000
Utility Administrative Cost	\$0.000000	\$0.000000	\$0.000000
Environmental Costs	\$0.000000	\$0.000000	\$0.000000
Subtotal	\$0.050804	\$0.050794	\$0.050686
Line Losses ⁴	\$0.002315	\$0.002315	\$0.002309
Total Value of NEM Distributed Energy	\$0.05312	\$0.05311	\$0.05299

B.4 Distributed Energy Resource Program (“DERP”) incremental costs are required by Act 236 to be allocated and recovered based on the same method used by the utility to allocate and recover variable environmental costs and under a separate DERP component of the overall fuel factor. Therefore, ORS analyzed the actual and estimated DERP incremental costs that DEC incurred for the period of June 2018 through May 2019, the estimated costs for the period June 2019 through September 2019, and the forecasted costs for the period October 2019 through September 2020. The Stipulating Parties agree with the adjustments made by the Company to the DERP component. The Stipulating Parties agree with the ending cumulative balances of DERP incremental costs for May 2019 as an over-recovered \$474,257, and September 2019 as an over-recovered \$1,462,326, as calculated by the Company. The Stipulating Parties agree that the appropriate fixed charges per account, including gross receipts tax and regulatory fees, to recover DERP incremental costs (the “DERP Charge”) for the period beginning with service rendered from October 2019 through September 2020 are listed below.

² Avoided Criteria Pollutants reflects NOx and SOx that have been separately identified from approved marginal energy costs.

³ Pursuant to the Settlement Agreement reached in DEC’s 2016 annual fuel proceeding (Docket No. 2016-3-E), the Company has calculated the hedge value and determined that no fuel hedge exists; therefore, the value is zero.

⁴ Line loss factors are 3.99645% for on-peak marginal energy, 3.98952% for off-peak marginal energy and 6.0427% for marginal capacity per DEC’s updated 2018 line loss analysis based upon 2018 cost of service.

DERP Charge ⁵ (\$/account)		
	Annual Charge	Monthly Charge
Residential	7.45	0.62
Commercial	23.55	1.96
Industrial	1,138.54	94.88

B.5 The Stipulating Parties agree that the DERP Charges as set forth above are consistent with S.C. Code Ann. §§ 58-27-865, 58-39-140 and 58-39-150 and with Commission orders.

B.6 The Stipulating Parties agree that current under-collected DERP incremental costs will be treated in the same manner as other fuel and fuel-related under-collected balances are treated and any under-collection resulting from the annual cost caps mandated by Act 236 will be reallocated using each class's contribution to peak demand. The Stipulating Parties agree that in an effort to keep the Stipulating Parties and DEC's customers informed of the (over)/under-recovery balances related to DERP incremental costs, DEC will provide to ORS and, where requested, its customers, forecasts of the expected DERP Charge to be set at its next annual fuel proceeding based upon DEC's historical (over)/under-recovery to date and DEC's forecast of DERP incremental and avoided costs. Forecasts will be provided in the same manner as forecasts of the expected fuel factor.

B.7 DERP avoided costs are required by Act 236 to be allocated and recovered based on the same method used by the utility to allocate and recover variable environmental costs and under a separate DERP component of the overall fuel factor. Therefore, ORS analyzed the DERP avoided costs that DEC reported and projected for the period of June 2018 through May 2019, the estimated costs for the period of June 2019 through September 2019, and the forecasted costs for

⁵ Gross Receipts Tax and regulatory fees are included.

the period October 2019 through September 2020 and found them to be reasonable. The Stipulating Parties agree with the adjustments made by the Company to the DERP avoided costs component. The Stipulating Parties agree with the ending cumulative balances of DERP avoided costs for May 2019 as an over-recovered \$1,470, and September 2019 as an over-recovered \$18,581, as calculated by the Company.

Fuel Expenses and Power Plant Operations

B.8 The Stipulating Parties agree with the adjustments made by the Company to the base fuel component. The Stipulating Parties agree with the ending cumulative balances of base fuel for May 2019 as an under-recovered \$86,217,228, and September 2019 as an under-recovered \$79,341,242 as calculated by the ORS.

B.9 The Stipulating Parties agree with the ending cumulative balances of environmental cost for May 2019 as an over-recovered \$965,535, and September 2019 as an under-recovered \$346,747, as calculated by the Company.

B.10 ORS also analyzed DEC's calculation of the projected cumulative capacity-related cost. The Stipulating Parties agree with the ending cumulative balances of capacity costs for May 2019 as an over-recovered \$5,379,538, and September 2019 as an over-recovered \$7,457,040, as calculated by the Company.

B.11 ORS thoroughly reviewed and investigated DEC's nuclear operations during the review period. As shown in ORS witness Thompson's Exhibit RCT-1, DEC's nuclear fleet achieved an average net capacity factor during the actual period of 96.37%. DEC achieved this capacity factor notwithstanding the fact that it experienced four (4) scheduled refueling outages and three (3) forced outages during the actual period. S.C. Code Ann. § 58-27-865 states that:

There shall be a rebuttable presumption that an electrical utility made every reasonable effort to minimize cost associated with the operation of its nuclear generation facility or system, as applicable,

if the utility achieved a net capacity factor of ninety-two and one-half percent or higher during the period under review. The calculation of the net capacity factor shall exclude reasonable outage time associated with reasonable refueling, reasonable maintenance, reasonable repair, and reasonable equipment replacement outages; the reasonable reduced power generation experienced by nuclear units as they approach a refueling outage; the reasonable reduced power generation experienced by nuclear units associated with bringing a unit back to full power after an outage; Nuclear Regulatory Commission required testing outages unless due to the unreasonable acts of the utility; outages found by the commission not to be within the reasonable control of the utility; and acts of God. The calculation also shall exclude reasonable reduced power operations resulting from the demand for electricity being less than the full power output of the utility's nuclear generation system.

Excluding all reasonable outage time pursuant to S.C. Code Ann. §58-27-865(F), DEC's net capacity factor for the review period was 101.45% as reflected in DEC witness Capps Exhibit 1.

B.12 The Stipulating Parties further agree that, except as noted herein, any challenges to DEC's historical fuel cost recovery for the period ending May 31, 2019, are not subject to further review; however, the projected fuel costs for periods beginning June 1, 2019, and thereafter shall be open issues in future fuel cost proceedings held under the procedure and criteria established in S.C. Code Ann. § 58-27-865.

Fuel Factors

B.13 The appropriate fuel factors for DEC to charge for the period beginning with service rendered in October 2019 and extending through service rendered in September 2020 are listed below. These fuel factors include the South Carolina base fuel costs, environmental costs, avoided capacity and the DERP avoided cost, but do not include gross receipt tax and regulatory fees. The Stipulating Parties agree that the fuel factors will be adjusted for billing purposes to include those amounts:

Customer Class	Base Fuel Cost Component (¢/kWh)	Environmental Cost Component (¢/kWh)	Capacity Related Cost Component (¢/kWh)	DERP Avoided Cost Component (¢/kWh)	Total Fuel Factor (¢/kWh)
Residential	2.1166	0.0603	0.1101	0.0026	2.2896
General Service/ Lighting	2.1166	0.0249	0.0279	0.0012	2.1706
Industrial	2.1166	0.0158	0.0131	0.0007	2.1462

B.14 The Stipulating Parties agree that the fuel factors set forth above are consistent with S.C. Code Ann. § 58-27-865.

Other

B.15 The Stipulating Parties agree that, except as noted herein, any challenges to DEC's historical fuel costs recovery for the period ending May 31, 2019, are not subject to further review; however, with regard to plant outages not complete as of May 31, 2019, and plant outages where final reports or investigations (Company, contractor, government reports or otherwise) are not available, the Stipulating Parties agree that they retain the right to review the reasonableness of plant outage(s) and associated costs in the review period during which the outage is completed or when the report(s) become available.

B.16 DEC agrees that in an effort to keep the Stipulating Parties and DEC's customers informed of the (over)/under recovery balances related to fuel costs, DEC's DERP incremental costs, and of DEC's commercially reasonable efforts to forecast the expected fuel factor to be set at its next annual fuel proceeding, DEC will provide to the Stipulating Parties, , and where applicable, its other customers, the following information:

- a. copies of the monthly fuel recovery reports currently filed with the Commission and ORS showing the monthly (over)/under-recovery and cumulative balances through the end of the forecast period;⁶
- b. copies of the monthly fuel recovery reports currently filed with the Commission, modified to include reports of itemized monthly actual DERP incremental and avoided costs as well as the monthly over/under cumulative balances of DERP avoided and incremental costs;
- c. forecasts of the expected fuel factor to be set at its next annual fuel proceeding based upon DEC's historical (over)/under-recovery to date and DEC's forecast of prices for uranium, natural gas, coal, oil and other fuel required for generation of electricity. Such forecasts will be provided in the 4th quarter of the calendar year prior to the next annual fuel proceeding and in the 2nd quarter of the calendar year of the Company's next annual fuel proceeding. DEC will use commercially reasonable efforts in making these forecasts. To the extent that the forecast data required hereunder is confidential, any party or customer, other than ORS, that requests forecasted fuel data will have to sign a non-disclosure agreement agreeing to protect the data from public disclosure and to only disclose it to employees or agents with a need to be aware of this information; and,
- d. forecasts of the expected DERP Charge to be set at its next annual fuel proceeding based upon DEC's historical (over)/under-recovery to date and

⁶ The Company agrees to break-out Schedule 4 of the monthly fuel recovery reports so that each component (base fuel, environmental, avoided capacity, and DER avoided costs) is reported separately.

DEC's forecast of DERP incremental and avoided costs. Forecasts will be provided in the same manner as B.16(c) above.

B.17 The Stipulating Parties agree that DEC's methodology for determining the environmental cost component of the fuel factor and the methodology for allocation and recovery of the capacity-related cost component of the fuel factor (which includes purchased power capacity costs under the Public Utility Regulatory Policies Act of 1978 and natural gas transportation and storage costs) are consistent with the statutory requirements of S.C. Code Ann. § 58-27-865.

B.18 DEC agrees to continue to examine and make adjustments, as necessary, to its natural gas hedging program in light of the potentially reduced volatility in the domestic natural gas market. DEC also agrees to provide monthly natural gas hedging reports to the ORS.

C. REMAINING STIPULATION TERMS AND CONDITIONS

C.1 Further, ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2018). S.C. Code Ann. § 58-4-10(B) reads in part as follows:

'public interest' means the concerns of the using and consuming public with respect to public utility services, regardless of the class of customer and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes these stipulated terms serve the public interest as defined above.

C.2 The Stipulating Parties agree that this Stipulation is reasonable, is in the public interest, and is in accordance with law and regulatory policy. This Stipulation in no way constitutes a waiver or acceptance of the position of any Stipulating Party concerning the requirements of S.C. Code Ann. § 58-27-865 (2015), S.C. Code Ann. § 58-40-10, *et seq* (2015), and Commission Order 2015-194 in any future proceeding.

C.3 The Stipulating Parties agree to cooperate in good faith with one another in recommending to the Commission that this Stipulation be accepted and approved by the Commission as a fair, reasonable and full resolution in the above-captioned proceeding. The Stipulating Parties, including their agents, further agree that communications regarding the Stipulation, either between the Stipulating Parties or with non-signatories hereto, shall be supportive of the terms agreed to in this Stipulation.

C.4 This written Stipulation contains the complete agreement of the Stipulating Parties regarding this matter. There are no other terms or conditions to which the Stipulating Parties have stipulated. This Stipulation integrates all discussions among the Stipulating Parties into the terms of this written document. The Stipulating Parties agree that this Stipulation will not constrain, inhibit or impair their arguments or positions held in future proceedings, nor will this Stipulation or any of the matters agreed to in it be used as evidence or precedent in any future proceeding. If the Commission should decline to approve this Stipulation in its entirety, then any Stipulating Party desiring to do so may withdraw from this Stipulation without penalty.

C.5 This Stipulation shall be interpreted according to South Carolina law.

C.6 Except as expressly set forth herein, this Stipulation in no way constitutes a waiver or acceptance of the position of any Stipulating Party concerning the requirements of S.C. Code Ann. § 58-27-865, S.C. Code Ann. § 58-40-10, *et seq* (2015), and Commission Order No. 2015-194 in any future proceeding. This Stipulation does not establish any precedent with respect to the issues resolved herein, and in no way precludes any Stipulating Party herein from advocating an alternative methodology under S.C. Code Ann. § 58-27-865, S.C. Code Ann. § 58-40-10, *et seq* (2015), and Commission Order No. 2015-194 in any future proceeding.

C.7 This Stipulation shall bind and inure to the benefit of each of the signatories hereto and their representatives, predecessors, successors, assigns, agents, shareholders, officers, directors (in their individual and representative capacities), subsidiaries, affiliates, parent corporations, if any, joint ventures, heirs, executors, administrators, trustees, and attorneys.

C.8 The Stipulating Parties represent that the terms of this Stipulation are based upon full and accurate information known as of the date this Stipulation is executed. If, after execution, but prior to a Commission decision on the merits of this proceeding, a Stipulating Party is made aware of information that conflicts, nullifies, or is otherwise materially different than that information upon which this Stipulation is based, that Stipulating Party may withdraw from the Stipulation with written notice to every other Stipulating Party.

C.9 The above terms and conditions fully represent the agreement of the Stipulating Parties. Therefore, each Stipulating Party acknowledges its consent and agreement to this Stipulation by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any Stipulating Party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Stipulation.

[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]

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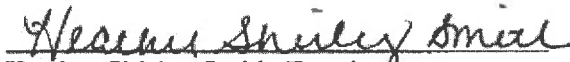
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